

CHANGES IN MINIMUM

WAGE AND HOW IT

AFFECTS PROFITS

Food Service Operational Benchmarks

	Full Service Restaurant			Limited Service
	Check Average per person less than \$15.00	Check Average per person \$15.00 to \$25.00	Check Average per person Greater than \$25.00	Quick Serve
Sales				
Food	82.20%	75.80%	72.20%	100.00%
Beverage	17.90%	24.20%	27.90%	0.00%
Total Sales	100.00%	100.00%	100.00%	100.00%
Cost of Sales				
Food	33.10%	33.30%	32.10%	29.70%
Beverage	28.10%	27.90%	30.00%	0.00%
Total Cost of sales	31.50%	31.40%	31.60%	29.70%
Gross Profit	67.50%	67.70%	68.00%	70.00%
Operating Expenses				
Salaries and Wages	31.20%	30.40%	28.20%	27.70%
Employee Benefits	2.30%	2.20%	2.50%	1.80%
Direct Operating Expenses	5.60%	6.30%	6.70%	5.00%
Music and Entertainment	0.20%	0.30%	0.40%	0.00%
Marketing	2.00%	1.70%	2.00%	1.10%
Utility Services	2.90%	2.70%	2.30%	2.80%
Occupancy	5.30%	5.50%	5.50%	5.70%
Repairs and Maintenance	1.60%	1.70%	1.30%	1.40%
Depreciation	1.50%	1.80%	1.60%	1.80%
Other Expense (Income)	0.10%	0.10%	0.10%	1.80%
General and Administration	2.80%	3.20%	3.50%	2.10%
Corporate Overhead	2.00%	N/A	0.70%	N/A
Total Operating Expenses	62.30%	62.40%	61.30%	59.00%
Interest Expense	0.70%	0.70%	0.60%	0.50%
Other Expenses				
Income (Loss) Before Income	4.50%	4.00%	4.00%	8.10%

Bill's latest
sales tip

The Main Thing

Tool Box

Ask Bill

tools
of the
trade

The Income Statement

If there's only a nickel in profit for every dollar in revenue, where does the other 95¢ go? Let's follow the average dollar in revenue as it gets eaten up.

Revenue

This is mostly food and beverage sales (not including sales tax).

Income Statement

Revenue

Food & Beverage Sales	\$1.00
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Prime Costs

Prime Costs take a huge bite -- nearly 65¢ -- out of every dollar earned. Prime Costs are total of Food, Beverage and Direct Labor Costs. Food and beverage costs typically account for about 33¢ out of every dollar, and direct labor for approximately 30¢. Is it any wonder that management's ability to control costs and produce profit is integrally tied to Prime Cost control? And with food cost such a big part of this picture, it's no wonder there's pressure on you to lower prices.

Prime Costs

Food & Beverage Costs	0.33
Direct Labor Cost	0.30
Total Prime Costs	0.63

Other Controllable Expenses

Employee Benefits	0.06
Direct Operating Expenses	0.05
Music & Entertainment	0.01
Marketing	0.02
Energy & Utility Services	0.03
Administrative & General	0.04
Reparis & Maintenance	0.02
Total Other Controllables	0.23

Operating Income

Income Before Occupancy Costs	0.14
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Other Controllable Expenses

This expense category includes employee benefits, music & entertainment, marketing, energy,

Occupancy Costs

Rent/Lease Expense	0.07
Property Taxes & Insurance	0.02
Total Occupancy Costs	0.09

The Magic Nickel	\$0.05
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The Magic
NickelThe Income
Statement

You Are Here ➤

administrative and general, repairs and maintenance and direct operating expenses. It usually takes 23¢ of each \$1 to pay "Other Controllable Expenses."

Operating Income

This is also known as "Income before Occupation Cost." This is what's left after Prime Costs and Controllable Expenses are paid. Operating Income is a reflection of the overall health of the restaurant. It's like a report card for unit management and it's usually stated in a percentage. In our example we have 14¢ left. That's a 14% Operating Income.

But remember...we haven't paid the rent yet!

Occupancy Costs

Occupancy Costs include the typical line item expenses associated with the "Brick and Mortar" of a restaurant's physical plant: rent, mortgage payments, real estate taxes, fire and casualty insurance, personal property taxes, etc. Rent and lease expenses run around 7¢ on average and the rest adds up to 2¢. Whew! We just made it.

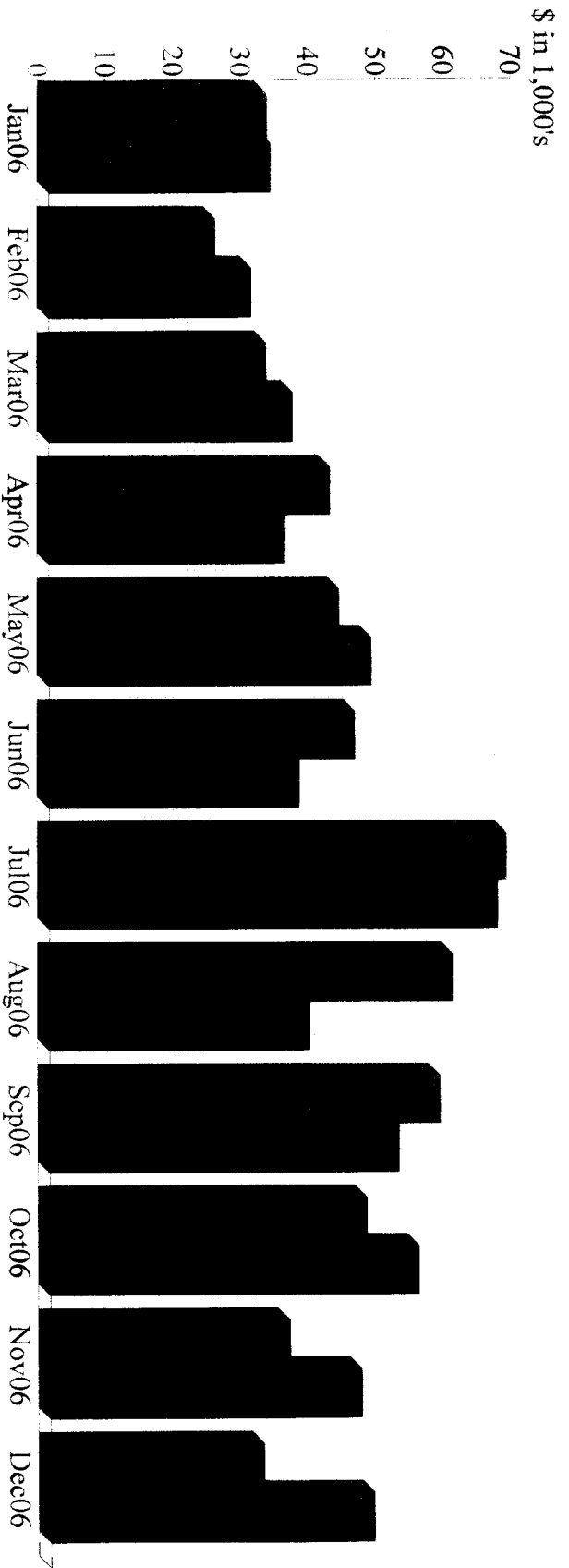
What's Left?

A Nickel. Just 5¢ in profit on a dollar in sales--and we haven't even paid interest on any debt or figured in depreciation!

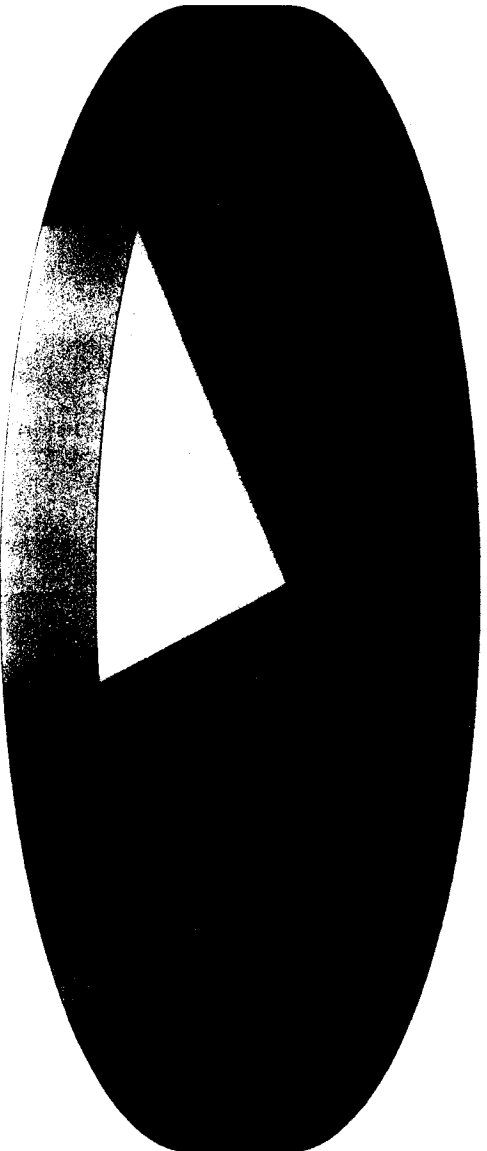
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Income and Expense by Month January through December 2006

Income
Expense



Expense Summary January through December 2006



FOOD	%36.66
Payroll	27.71
Goods Sold Bar	13.68
Util	3.60
EQUIPMENT PURCH	2.96
Insur	2.69
OFFICERS DRAW	2.01
Cleaning	1.52
Rent	1.25
Auto	1.22
Other	6.69
Total	\$522,734.80

By Account

HOURS PER DAY	11
PEOPLE ON FLOOR	2
HOURS	22
PER YEAR	8008

2006	8008 HOURS	\$5.15	\$41,241
2007	8008 HOURS	\$6.15	\$49,249
2009	8008 HOURS	\$7.25	\$58,058

FROM 2006 TO 2009 HOURLY INCREASE	\$16,817
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DECLARED TIPS AND OTHER TIPS

GROSS SALES 2006	\$508,637
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CREDIT CARD SALES	\$175,694
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CREDIT CARD TIPS	\$31,930
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AVERAGE TIP ON CREDIT CARD	18.17%
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18.17%OF SALES TOTAL TIPS	\$92,437
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CREDIT CARD TIPS PER HOUR	\$3.99
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TOTAL TIPS PER HOUR	\$11.54
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COST OF HOURLY INCREASE TO MAINTAIN A CONSTANT LABOR COST

ASSUME HOURS CUT BY 16%	6726
2007 AT \$6.15	\$41,364
SAME GROSS PAY AS 2006	
TOTAL TIPS	\$92,437
16% REDUCTION	\$14,790
TOTAL TIPS AVAILABLE 2007	\$77,647

**EMPLOYEE PAYS THE SAME INCOME
TAX BUT MAKES 16% LESS IN TIPS.**

2009 AT \$7.25	
28% REDUCTION IN HOURS	\$41,801
TOTAL TIPS	\$92,437
28% REDUCTION	\$25,882
TOTAL TIPS AVAILABLE 2009	\$66,555

**EMPLOYEE PAYS THE SAME INCOME
TAX BUT MAKES 28% LESS IN TIPS**

WITH NO REDUCTION IN HOURS

GROSS SALE	\$508,637
AVERAGE PROFIT 4%(2006)	\$20,345
2006 TO 2007 INCREASED WAGE	\$8008
TOTAL PROFIT END 2007	\$12337
2007 TO 2009 INCREASED WAGE	\$16,817
TOTAL PROFIT END 2009	\$3,528

TAX INCREASES WITH NO REDUCTION IN HOURS BY 2009

FICA INCREASE $.062 * \$16,817$	\$1042
MEDCARE INCREASE $.0145 * \$16,817$	\$243
WORK COMP AND UNEMPLOYMENT $.06 * \$16,817$	\$1009
2009 PROFIT AFTER TAX INCREASE	\$1234

COST OF TIPS TO EMPLOYER

DECLARED TIPS	\$31930
WORK COMP UNEMPLOYMENT	\$1915
CREDIT CARD CHARGES	\$958
COST TO TIP	\$2873